



e.i.f. 12-3-97  
Embassy of the United States of America

04-448

September 17, 1997

Your Excellency:

I have the honor to refer to the discussions between representatives of certain governments ("Participating Creditors Countries") with respect to the recommendation contained in the Agreed Minute on the Consolidation of the Debt of the Borrower, signed at Paris on October 17, 1995 (the "Agreed Minute"), signed by a representative of the Government of the Former Yugoslav Republic of Macedonia and the Participating Creditor Countries.

I would like to propose that the recommendations contained in the Agreed Minute be implemented between the Government of the United States of America and the Government of the Former Yugoslav Republic of Macedonia in accordance with the terms and conditions set forth in the attachment to this letter. In the attachment, the "Lending State" refers to the Government of the United States of America, and the "Borrowing State" refers to the Former Yugoslav Republic of Macedonia.

If the foregoing proposal is acceptable to the Government of the Former Yugoslav Republic of Macedonia, this letter, including its attachment, and your reply letter concurring herein shall constitute an agreement between the Government of the United States of America and the Government of the Former Yugoslav Republic of Macedonia on the Consolidation of the Debt of the Borrower, which shall enter into force upon an exchange of notes confirming that all necessary domestic legal requirements for entry into force have been fulfilled. The Agreement will enter into force on the date of the later notification.

Your Excellency, please allow me to take this opportunity to renew the assurances of my highest consideration.

Christopher R. Hill  
Ambassador

His Excellency Taki Fiti  
Minister of Finance

CONSOLIDATION  
AND RESCHEDULING OF CERTAIN DEBTS

In light of Opinion No. 8 of the Arbitration Commission of the Conference for Peace (July 4, 1992) which expressed the opinion that the process of dissolution of the Socialist Federal Republic of Yugoslavia ("SFRY") is complete and that the SFRY no longer exists and related opinions of the Arbitration Commission and its successor, the Arbitration Commission of the International Conference on the Former Yugoslavia;

Considering the Terms of Reference on the Debt of the Former Yugoslavia, agreed at Paris on September 23, 1992 and subsequent developments in the "Paris Club";

In accordance with the recommendations contained in the Agreed Minute on the Consolidation of the Debt of the Borrower, signed at Paris on October 17, 1995 by representatives of certain governments ("Participating Creditor Countries"), including representatives of the Governments of the two States (hereinafter referred to as "the Lending State" and "the Borrowing State"); and

Recognizing that the Borrowing State desires to maintain sound and stable financial relations with the Lending State and considers that accepting an appropriate legal framework for the repayment of certain debts owed to the government of the Lending State and its Agencies and confirming its legal obligation to repay these debts will contribute to that end;

The Lending State and the Borrowing State agree as follows:

## ARTICLE I

### Application of the Agreement

1. The Lending State and the Borrowing State agree to consolidate and reschedule certain payments of the Borrowing State with respect to debts which are owed to, guaranteed by or insured by the government of the Lending State and its Agencies, as provided for and described in this Agreement.

## ARTICLE II

### Debts of the SFRY

1. The Borrowing State confirms its liability for the debt to foreign creditors which consists of:
  - (a) The debts of the former SFRY: (i) owed or guaranteed by entities located on the territory of the Borrowing State, including entities of the government of the Borrowing State or entities legally authorized to act on its behalf and banks located on the territory of the Borrowing State; and (ii) owed or guaranteed by the former SFRY, when the final beneficiary of the loan or credit concerned is located on the territory of the Borrowing State, ("Allocated Debt"); and
  - (b) 5.4 percent of debts owed or guaranteed by the former SFRY and not immediately attributable to any successor Republic ("Non-allocated debt").
2. Debts owed or guaranteed by former socially-owned legal entities located on the territory of the Borrowing State, regardless of their present ownership status, are included in the above definition of Allocated Debt.

3. For the purposes of this Agreement, Allocated Debt is that defined in Article III (1)(b), (1)(c), and (1)(d) of this Agreement. Non-allocated Debt is that defined in Article III (1)(a) of this Agreement.

### ARTICLE III

#### Definitions

1. "Contracts" means the following agreements or other financial arrangements:
  - (a) 5.4 percent of concessional loans extended by the Agency for International Development to the former SFRY having original maturities of more than one year, pursuant to an agreement concluded before December 2, 1982.
  - (b) 100 percent of non-concessional loans and commercial credits guaranteed or insured by Eximbank to the former SFRY, which:
    - i) had original maturities of more than one year, pursuant to an agreement concluded before December 2, 1982; and
    - (ii) were contracted or guaranteed by entities, including entities of the government of the Borrowing State located on the territory of the Borrowing State in agreements entered into with Eximbank; entities legally authorized to act on behalf of such entities; or Stopanska Banka.

(c) The Eximbank Refunding Agreements ("Refunding Agreements") concluded according to the Agreed Minutes dated May 22, 1984, May 24, 1985, May 13, 1986, and July 13, 1988.

(d) 100 percent of non-concessional loans and commercial credits guaranteed or insured by Eximbank to the former SFRY, which:

i) had original maturities of more than one year, pursuant to an agreement concluded after December 2, 1982; and

(ii) were contracted or guaranteed by entities, including entities of the government of the Borrowing State located on the territory of the Borrowing State in agreements entered into with Eximbank; entities legally authorized to act on behalf of such entities; or Stopanska Banka.

A table listing the relevant Contracts to be included under the rescheduling is attached hereto as Annex A.

Debt service due as a result of debts described above and effected through special payment mechanisms or other external accounts is covered by this Agreement.

2. "Agencies" means the Export-Import Bank of the United States ("Eximbank") and the Agency for International Development ("USAID").
3. "Consolidation Period" means the period from July 1, 1995 through June 30, 1996, inclusive.
4. "Consolidated Debt" means 100 percent of the sum of unpaid principal and interest with respect to the Contracts specified in Paragraph 1(a), 1(b) and 1(c) of this Article and falling due during the Consolidation Period.
5. "Consolidated Arrears" means 100 percent of the sum of unpaid principal and interest, excluding Late Interest Charges, with respect to the Contracts specified in Paragraph 1(a), 1(b) and 1(c) of this Article III, which was due and unpaid as of June 30, 1995.
6. "Deferred Arrears" means 100 percent of the sum of unpaid principal and interest, including Late Interest Charges, with respect to the Contracts specified in Paragraph 1(d) of this Article, which was due and unpaid as of June 30, 1995.
7. "Late Interest Charges" means, with respect to the Consolidated Arrears and Deferred Arrears, interest charges payable on due but unpaid amounts of principal and interest, such charges having accrued through June 30,



1995, in accordance with the terms of the Contracts, notwithstanding the payment of such principal and interest subsequent to the original due dates.

8. "Consolidated Late Interest Charges" means 100 percent of the Late Interest Charges with respect to Consolidated Arrears which was due and unpaid as of June 30, 1995.
9. "Interest" means interest payable on the outstanding balance of Consolidated Debt, Consolidated Arrears, Deferred Arrears, and Consolidated Late Interest Charges in accordance with the terms of this Agreement. Interest shall accrue at the rates set forth in this Agreement beginning on the due dates specified in the Contracts for the payments of principal and interest comprising the Consolidated Debt, and on July 1, 1995 with respect to Consolidated Arrears, Deferred Arrears and Consolidated Late Interest Charges.
10. "Additional Interest" means interest accruing at the rates set forth in this Agreement or the Implementing Agreement on due but unpaid installments of Consolidated Debt, Consolidated Arrears, Deferred Arrears, Consolidated Late Interest Charges, and Interest beginning on the respective due dates for such installments as established by this Agreement, and continuing to accrue until such amounts are repaid in full.

#### ARTICLE IV

##### Terms and Conditions of Payment

1. The Borrowing State agrees to repay the Consolidated Debt and Consolidated Arrears in United States dollars in accordance with the following terms and conditions:

- (a) The Consolidated Debt and Consolidated Arrears shall be repaid in twenty-four (24) consecutive semi-annual installments on January 31 and July 31 of each year, commencing on July 31, 1999 according to the following schedule:

0.36% on July 31, 1999; 0.52% on January 31, 2000;  
0.69% on July 31, 2000; 0.86% on January 31, 2001;  
1.05% on July 31, 2001; 1.25% on January 31, 2002;  
5.29% on July 31, 2002; 5.29% on January 31, 2003;  
5.29% on July 31, 2003; 5.29% on January 31, 2004;  
5.29% on July 31, 2004; 5.29% on January 31, 2005;  
5.29% on July 31, 2005; 5.29% on January 31, 2006;  
5.29% on July 31, 2006; 5.29% on January 31, 2007;  
5.29% on July 31, 2007; 5.29% on January 31, 2008;  
5.29% on July 31, 2008; 5.30% on January 31, 2009;  
5.30% on July 31, 2009; 5.30% on January 31, 2010;  
5.30% on July 31, 2010; 5.30% on January 31, 2011.

(b) The rate of Interest on Consolidated Debt and Consolidated Arrears shall be the following for the Lending State and its Agencies:

(i) For Eximbank, the rate of Interest shall be the per annum rate for each Interest Period as defined in Annex D of this Agreement, and determined by Eximbank to be one-half of one percent ( $1/2$  of 1%) over the interest rate applicable to U.S. Treasury short-term borrowings which is in effect on the first day of such Interest Period. For the period July 1, 1995 through January 30, 1996, the annual rate shall be 6.05 percent. For each subsequent Interest Period, Eximbank shall notify the Borrowing State of the appropriate rate for such period. Annex D provides for further explanation of the Eximbank interest rate determination.

(ii) For USAID, the rate of Interest shall be an estimated weighted average of 3.5 percent per year.

(c) Interest with respect to the Consolidated Debt and Consolidated Arrears shall be paid semi-annually on January 31 and July 31 of each year, commencing on July 31, 1997.

A table summarizing the amount of Consolidated Debt and Consolidated Arrears owed to the Lending State and its Agencies is attached hereto as Annex B.

2. The Borrowing State agrees to repay Consolidated Late Interest Charges and Deferred Arrears in United States dollars in accordance with the following terms and conditions:

- (a) The Consolidated Late Interest Charges and Deferred Arrears shall be repaid in eight (8) equal and consecutive semi-annual installments on January 31 and July 31 of each year, commencing on July 31, 1998, and ending on January 31, 2002.
- (b) The rate of Interest on Consolidated Late Interest Charges and Deferred Arrears shall be as follows for the Lending State and its Agencies:

- (i) For Eximbank, the rate of Interest shall be the per annum rate for each Interest Period as defined in Annex D of this Agreement, and determined by Eximbank to be one-half of one percent ( $1/2$  of 1%) over the interest rate applicable to U.S. Treasury short-term borrowings which is in effect on the first day of such Interest Period. For the period July 1, 1995 through January 30, 1996, the annual rate shall be 6.05 percent. For each subsequent Interest Period, Eximbank shall notify the Borrowing State of the appropriate rate for such period. Annex D provides for further explanation of the Eximbank interest rate determination.

(ii) For USAID, the rate of Interest shall be an estimated weighted average of 3.5 percent per year.

(c) Interest with respect to the Consolidated Late Interest Charges and Deferred Arrears shall be paid semi-annually on January 31 and July 31 of each year, commencing on July 31, 1997.

A table summarizing the amount of Consolidated Late Interest Charges and Deferred Arrears owed to the Lending State and its Agencies is attached hereto as Annex C.

3. Adjustments to the amounts of Consolidated Debt, Consolidated Arrears, Deferred Arrears, and Consolidated Late Interest Charges may be made as necessary and as mutually agreed.